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*Proposed Lead Counsel for Official
Committee of Unsecured Creditors*

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*Proposed Local Counsel for Official
Committee of Unsecured Creditors*

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION**

In re:	:	Chapter 11
	:	
MOVIE GALLERY, INC., <u>et al.</u> , ¹	:	Case No. 10-30696 (DOT)
	:	
Debtors.	:	(Jointly Administered)
	:	
	:	

**APPLICATION FOR ENTRY OF AN ORDER AUTHORIZING AND
APPROVING THE EMPLOYMENT OF PACHULSKI STANG ZIEHL &
JONES LLP AS COUNSEL TO THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS *NUNC PRO TUNC* TO FEBRUARY 10, 2010**

The Official Committee of Unsecured Creditors (the “Committee”) of the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”) hereby move this Court (this “Application”) for the entry of an order authorizing and approving the employment of Pachulski Stang Ziehl & Jones LLP (“PSZJ” or the “Firm”) as counsel to the Committee in connection with the Debtors’ chapter 11 cases, *nunc pro tunc* to February 10, 2010, pursuant to sections 328(a) and 1103(a) of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (as amended, the “Bankruptcy Code”), Rules 2014 and 5002 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 2014-1 of the Local Bankruptcy Rules for the

¹ The Debtors in these cases are Movie Gallery, Inc., Hollywood Entertainment Corporation, Movie Gallery US, LLC, MG Real Estate, LLC, and HEC Real Estate, LLC.

United States Bankruptcy Court for the Eastern District of Virginia (the “Local Rules”); and in support of the Application, the Committee submits the Declaration of Robert J. Feinstein, a partner of the Firm (the “Feinstein Declaration”), attached hereto and incorporated herein by reference. In support of the Application, the Committee respectfully represents as follows:

Jurisdiction

1. This Court has jurisdiction over this Application pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue of these chapter 11 cases in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief requested herein are sections 328(a) and 1103(a) of the Bankruptcy Code, Bankruptcy Rules 2014 and 5002, and Local Rule 2014-1.

Background

2. On February 2, 2010 (the “Petition Date”), each of the Debtors filed a voluntary petition with the Court under chapter 11 of the Bankruptcy Code, thereby commencing the above-captioned cases. The factual background regarding the Debtors, including their business operations, their capital and debt structure, and the events leading to the filing of these chapter 11 cases, is set forth in detail in the *Affidavit of Steve Moore, Chief Restructuring Officer of Movie Gallery, Inc., in Support of First Day Motions* [Docket No. 9], filed on the Petition Date.

3. By Order dated February 3, 2010 [Docket No. 64], these chapter 11 cases are being jointly administered. The Debtors continue to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. As of the date hereof, neither a trustee nor an examiner has been appointed in these chapter 11 cases.

4. On February 8, 2010, the Office of the U.S. Trustee appointed the Official Committee of Unsecured Creditors (the “Committee”) in these cases pursuant to sections 1102(a) and 1102(b)(1) of the Bankruptcy Code [Docket No. 127].

5. The Committee is presently composed of the following nine creditors: (i) Paramount Home Entertainment Inc.; (ii) Realty Income Corporation; (iii) Regency Centers LP; (iv) RR Donnelley & Sons; (v) Sony Pictures Home Entertainment Inc.; (vi) Twentieth Century Fox Home Entertainment LLC; (vii) Warner Home Video; (viii) Universal Studios Home Entertainment; and (ix) Weingarten Realty Investors. V.P.D. IV, Inc. d/b/a VPD (“VPD”) and Developers Diversified Realty Corp. have been made ex officio members.

6. The Committee has held its organizational meeting, and has decided to retain the Firm as its lead counsel, Hunton & Williams LLP as its local counsel, and FTI Consulting, Inc. as its financial advisor.

7. The Firm has over 70 attorneys with a practice concentrated on reorganization, bankruptcy, litigation and commercial issues. The Firm’s attorneys have extensive experience representing creditors’ committees, debtors, creditors, trustees and others in a wide variety of bankruptcy cases, including in this District. Based on these facts, the Committee believes that the Firm is well-qualified to render the services described below. More information on the Firm is available at its website, www.pszjlaw.com.

Relief Requested

8. By this Application, the Committee respectfully requests that the Court enter an order, substantially in the form annexed hereto as Exhibit A, pursuant to sections 328(a) and 1103(a) of the Bankruptcy Code, Bankruptcy Rules 2014 and 5002, and Local Rule 2014-1,

authorizing the Committee to employ and retain the Firm as its bankruptcy counsel in these chapter 11 cases. The Committee seeks to retain the Firm *nunc pro tunc* to February 10, 2010 because the Firm began providing services to the Committee as of such date. The Committee believes that such *nunc pro tunc* retention is appropriate in these chapter 11 cases because the Committee required effective representation prior to such time as a retention application could be submitted to the Court due to the exigencies of these chapter 11 cases, and the Firm has been providing services to the Committee since February 10, 2010.

Services to be Rendered

9. Subject to further order of this Court, the Firm is expected to render, among other services, the following services to the Committee:

- a. Assisting, advising and representing the Committee in its consultations with the Debtors regarding the administration of these cases;
- b. Assisting, advising and representing the Committee in analyzing the Debtors' assets and liabilities, investigating the extent and validity of liens and participating in and reviewing any proposed asset sales, any asset dispositions, financing arrangements and cash collateral stipulations or proceedings;
- c. Assisting, advising and representing the Committee in any manner relevant to reviewing and determining the Debtors' rights and obligations under leases and other executory contracts;
- d. Assisting, advising and representing the Committee in investigating the acts, conduct, assets, liabilities and financial condition of the Debtors, the Debtors' operations and the desirability of the continuance of any portion of those operations, and any other matters relevant to this case or to the formulation of a plan;
- e. Assisting, advising and representing the Committee in its participation in the negotiation, formulation and drafting of a plan of liquidation or reorganization;
- f. Advising the Committee on the issues concerning the appointment of a trustee or examiner under section 1104 of the Bankruptcy Code;
- g. Assisting, advising and representing the Committee in understanding its powers and its duties under the Bankruptcy Code and the Bankruptcy

Rules and in performing other services as are in the interests of those represented by the Committee;

- h. Assisting, advising and representing the Committee in the evaluation of claims and on any litigation matters, including avoidance actions; and
- i. Providing such other services to the Committee as may be necessary in these cases.

Disinterestedness of Professionals

10. To the best of the Committee's knowledge, and based upon the Feinstein Declaration attached hereto, neither the Firm nor any of its attorneys have any connection with any party in interest, their attorneys or accountants, other than as set forth in the Feinstein Declaration.

11. To the best of the Committee's knowledge, except as provided in the Feinstein Declaration, neither the Firm, nor any of its attorneys represent any interest adverse to that of the Committee in the matters on which they are to be retained, and the Firm's attorneys are disinterested persons under section 101(14) of the Bankruptcy Code. In light of the Firm's prior representation of certain movie studio suppliers as set forth in the Feinstein Declaration, the Committee will rely on conflicts counsel to the extent any issues concerning such suppliers arise in the chapter 11 cases.

12. While the Firm has undertaken, and continues to undertake, efforts to identify connections with the Debtors and other parties-in-interest, it is possible that connections with some parties-in-interest have not yet been identified. Should the Firm, through its continuing efforts or as these cases progress, learn of any new connections of the nature described above, the Firm will promptly file supplemental declarations, as required by Bankruptcy Rule 2014(a).

13. The Firm represents many committees in other bankruptcy cases, and the members of those committees or those estates may be creditors of the Debtors. However, the Firm will not represent any members of those committees with respect to any claims that they may have collectively or individually against the Debtors.

Professional Compensation

14. The Committee desires to employ the Firm with reasonable fees to be determined by the Court. No compensation will be paid to the Firm except upon compliance with the Bankruptcy Code, Bankruptcy Rules and Local Rules, and this Court's orders. The Firm has received no retainer in this case to represent the Committee. Neither the Committee nor any of its members (or their representatives) are or will be liable for any fees or costs incurred by the Firm in its representation of the Committee. The principal attorneys and paralegals presently designated to represent the Committee and their current standard hourly rates are:

a.	Robert J. Feinstein	\$855.00 per hour
b.	Robert B. Orgel	\$825.00 per hour
c.	John A. Morris	\$750.00 per hour
d.	Beth E. Levine	\$550.00 per hour
e.	Gabrielle A. Rohwer	\$550.00 per hour
f.	David A. Abadir	\$425.00 per hour
g.	Thomas J. Brown	\$205.00 per hour

15. The hourly rates set forth above are PSZJ's standard hourly rates for work of this nature. These rates are set at a level designed to fairly compensate PSZJ for the work of its attorneys and paralegals and to cover fixed and routine overhead expenses.² By agreement with the Committee, the Firm will not charge for non-working travel time.

² These rates are subject to periodic adjustments to reflect economic and other conditions. Other attorneys and paralegals may from time to time serve the Committee in connection with the matters described herein.

Notice

16. Notice of this Application has been given to the following parties or, in lieu thereof, to their counsel, if known: (i) counsel to the Debtors; (ii) the Office of the United States Trustee for this District; (iii) counsel to the Debtors' prepetition lenders; and (iv) all parties requesting notice pursuant to Bankruptcy Rule 2002. The Committee submits that, in light of the nature of the relief requested, no other or further notice need be given.

WHEREFORE, the Committee requests that the Court enter the order (the "Order") annexed hereto as Exhibit A, approving the employment of the Firm as its counsel, *nunc pro tunc* to February 10, 2010, to render services as described above with compensation to be paid as an administrative expense in such amounts as this Court may hereafter determine and allow; and grant the Committee such other and further relief as the Court deems just and proper.

Dated: February 26, 2010

THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF MOVIE GALLERY, INC.

By: John Roussey
John Roussey, Co-Chair
Universal Studios Home Entertainment

By: _____
Jenny Hyun, Co-Chair
Weingarten Realty Investors

Notice

16. Notice of this Application has been given to the following parties or, in lieu thereof, to their counsel, if known: (i) counsel to the Debtors; (ii) the Office of the United States Trustee for this District; (iii) counsel to the Debtors' prepetition lenders; and (iv) all parties requesting notice pursuant to Bankruptcy Rule 2002. The Committee submits that, in light of the nature of the relief requested, no other or further notice need be given.

WHEREFORE, the Committee requests that the Court enter the order (the "Order") annexed hereto as Exhibit A, approving the employment of the Firm as its counsel, *nunc pro tunc* to February 10, 2010, to render services as described above with compensation to be paid as an administrative expense in such amounts as this Court may hereafter determine and allow; and grant the Committee such other and further relief as the Court deems just and proper.

Dated: February __, 2010

THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF MOVIE GALLERY, INC.

By: _____
John Roussey, Co-Chair
Universal Studios Home Entertainment

By: _____
Jenny Hyun, Co-Chair
Weingarten Realty Investors

Dated: March 1, 2010

PACHULSKI STANG ZIEHL & JONES LLP

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[Proposed] Counsel for Official Committee
of Unsecured Creditors

and

HUNTON & WILLIAMS LLP

By /s/ Tara L. Elgie
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*[Proposed] Local Counsel for Official
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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION**

In re:	:	Chapter 11
	:	
MOVIE GALLERY, INC., <u>et al.</u> , ¹	:	Case No. 10-30696 (DOT)
	:	
Debtors.	:	(Jointly Administered)
	:	
	:	

**ORDER AUTHORIZING AND APPROVING THE EMPLOYMENT
OF PACHULSKI STANG ZIEHL & JONES LLP AS COUNSEL
TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
NUNC PRO TUNC TO FEBRUARY 10, 2010**

This matter came before the Court on the *Application for Entry of an Order Authorizing and Approving the Employment of Pachulski Stang Ziehl & Jones LLP as Counsel to the Official Committee of Unsecured Creditors Nunc Pro Tunc to February 10, 2010* (the “Application”)² and the Declaration of Robert J. Feinstein filed in support of the Application (the “Feinstein Declaration”) both filed by the Official Committee of Unsecured Creditors (the “Committee”) for approval of Pachulski Stang Ziehl & Jones LLP’s employment as lead counsel for the Committee in these cases, pursuant to sections 328(a) and 1103(a) of title 11 of the United States

¹ The Debtors in these cases are Movie Gallery, Inc., Hollywood Entertainment Corporation, Movie Gallery US, LLC, MG Real Estate, LLC, and HEC Real Estate, LLC.

² Capitalized terms not otherwise defined herein shall have the meanings and definitions ascribed to such terms in the Application.

Code, 11 U.S.C. §§ 101 et seq., Rules 2014 and 5002 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 2014-1 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Eastern District of Virginia (the “Local Rules”) and the Court having jurisdiction to consider the Application and the relief requested therein in accordance with 28 U.S.C. § 1334; and consideration of the Application and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Application having been provided, and it appearing that no other or further notice need be provided; and it appearing to the Court that the said Application should be approved, it is, therefore, ORDERED:

1. That the Application is granted.
2. The Committee is hereby authorized to retain and employ PSZJ as counsel to the Committee pursuant to sections 328(a) and 1103(a) of the Bankruptcy Code *nunc pro tunc* to February 10, 2010.
3. PSZJ shall apply for compensation for professional services rendered and reimbursement of expenses incurred in connection with the Debtors’ cases in compliance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and any other applicable procedures and orders of this Court.
4. The Committee and PSZJ are authorized and empowered to take all actions necessary to implement the relief granted in this Order.

5. PSZJ is authorized to sign and file electronically all notices, orders, motions, applications and other requests for relief, all briefs, memoranda, affidavits, declarations, replies and other documents filed in support of such documents and all objections and responses related to any such documents filed by any party in the Debtors' chapter 11 cases.

Dated: _____
Richmond, Virginia

The Honorable Douglas O. Tice, Jr.
United States Bankruptcy Judge

WE ASK FOR THIS:

/s/ Robert J. Feinstein
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Committee of Unsecured Creditors*

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SEEN AND NO OBJECTION:

Office of the U.S. Trustee
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Richmond, VA 23219
(804) 771-2310
(804) 771-2330 (Facsimile)

By: /s/ Robert B. Van Arsdale
Robert B. Van Arsdale (VSB# 17483)
Assistant U.S. Trustee

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*Proposed Local Counsel for Official
Committee of Unsecured Creditors*

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION**

In re:	:	Chapter 11
	:	
MOVIE GALLERY, INC., <u>et al.</u> , ¹	:	Case No. 10-30696 (DOT)
	:	
Debtors.	:	(Jointly Administered)
	:	
	:	

**DECLARATION IN SUPPORT OF APPLICATION
FOR ENTRY OF AN ORDER AUTHORIZING AND APPROVING
THE EMPLOYMENT OF PACHULSKI STANG ZIEHL &
JONES LLP AS COUNSEL TO THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS NUNC PRO TUNC TO FEBRUARY 10, 2010**

I, Robert J. Feinstein, declare under penalty of perjury as follows, pursuant to Rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure:

1. I am a partner with the firm of Pachulski Stang Ziehl & Jones LLP (“PSZJ” or the “Firm”),² with offices located at 780 Third Avenue, 36th Floor, New York, New York 10017-2024. I am duly admitted to practice law in the State of New York, the United States District Courts for the Southern, Eastern, Northern, and Western Districts of New York, and the United States Court of Appeals for the Second Circuit. I am also authorized to appear *pro hac vice*

¹ The Debtors in these cases are Movie Gallery, Inc., Hollywood Entertainment Corporation, Movie Gallery US, LLC, MG Real Estate, LLC, and HEC Real Estate, LLC.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Application.

pursuant to an Order entered by this Court on February 22, 2010 [Docket No. 303]. I am authorized to submit this *Declaration in Support of the Application for Entry of an Order Authorizing and Approving the Employment of Pachulski Stang Ziehl & Jones LLP as Counsel to the Official Committee of Unsecured Creditors Nunc Pro Tunc to February 10, 2010* (the “Application”).

2. Neither I, the Firm, nor any partner, of counsel or associate thereof, insofar as I have been able to ascertain, has any connection with the Debtors, their creditors or any other parties in interest herein, or their respective attorneys and accountants, the U.S. Trustee, or any person employed in the office of the U.S. Trustee, except as set forth herein.

3. Section 1103(b) of the Bankruptcy Code does not incorporate the general “disinterestedness” standard of section 327(a). However, Rule 2014 requires that an application for employment under section 1103 disclose all connections with the Debtors, the estates, the professionals and the Office of the Trustee. The Firm, therefore, discloses its known connections as follows.

4. The Firm has made the following investigation of disinterestedness prior to submitting this declaration. The Firm has undertaken a full and thorough review of its computer data base which contains the names of clients and other parties interested in particular matters. The Firm requires all of its professionals, before accepting the representation of a new client, or the representation of an existing client in a new matter, to perform a conflicts check through the Firm’s data base and to enter into that data base conflict information regarding new clients or new matters. Thus, a review of said computerized data base should reveal any and all actual or potential conflicts of interest with respect to any given representation. In particular, an employee

of the Firm, under my supervision, ran the names of, among others, (i) the Debtors and non-Debtor affiliates, (ii) the Debtors' known secured creditors, (iii) the Debtors' officers, directors and shareholders, (iv) the thirty largest unsecured creditors of the Debtors as disclosed by them in filings with the Court, (v) counterparties to major leases, (vi) major lawsuit counterparties, (vii) the Debtors' significant vendors, insurance providers, and utility providers, (viii) the Debtors' significant competitors, (ix) the United States Trustee for the Eastern District of Virginia and key staff members, and (x) the Judges of the Bankruptcy Court for the Eastern District of Virginia, through the Firm's database. The names of the parties run through the Firm's data base are set forth on Schedule 1 attached hereto.

5. Based on the results of the database, it appears that PSZJ does not hold or represent any interest adverse to and has no connection, subject to the disclosures set forth below, with the Debtors herein, their creditors, the U.S. Trustee or any party-in-interest herein in the matters upon which PSZJ is to be retained, and is a "disinterested person" within the meaning of section 101(14) of the Bankruptcy Code, subject to the following material disclosures:

- a. The Firm previously served as counsel to the official committee of unsecured creditors in the Debtors' first chapter 11 cases, *In re Movie Gallery, Inc., et al.*, Case No. 07-33849 (DOT) ("Movie Gallery I"), filed in the United States Bankruptcy Court for the Eastern District of Virginia on October 16, 2007. PSZJ believes that its representation of the official committee of unsecured creditors during the Movie Gallery I bankruptcy proceedings has not and will not affect its representation of the Committee in these proceedings.
- b. As of May 21, 2008, the day after the Effective Date of the *Second Amended Joint Plan of Reorganization of Movie Gallery, Inc. and its Debtor Subsidiaries Under Chapter 11 of the Bankruptcy Code* (the "Movie Gallery I Plan") in the Movie Gallery I bankruptcy case through January 28, 2010, PSZJ served as counsel to the plan administrator (the "Plan Administrator") appointed pursuant to the Plan. The Firm ceased representation of the Plan Administrator on January 28, 2010, although the

last time it rendered any services to the Plan Administrator was in December 2009. In the 12 months prior to the Petition Date, the Firm's representation of the Plan Administrator has accounted for less than one percent (1%) of PSZJ's total billings. PSZJ believes that its representation of the Plan Administrator has not and will not affect its representation of the Committee in these proceedings.

- c. As of May 21, 2008 through January 28, 2010, PSZJ served as counsel to the trustee (the "Trustee") for the MG Litigation Trust established pursuant to the Movie Gallery I Plan to prosecute certain avoidance claims, all of which have been resolved and dismissed. The Firm ceased representation of the Liquidation Trust on January 28, 2010, although the last time it rendered any services to the Liquidation Trust was in December 2009. In the 12 months prior to the Petition Date, the Firm's representation of the Trustee has accounted for less than one percent (1%) of PSZJ's total billings. PSZJ believes that its representation of the Trustee has not and will not affect its representation of the Committee in these proceedings.
- d. As of September 30, 2008, PSZJ served as escrow agent (the "Escrow Agent") appointed pursuant to the terms of the Escrow Agreement dated same implemented for the benefit of administering the "cash-out option" for unsecured creditors under the Movie Gallery I Plan. On January 25, 2010, the Firm informed the parties to the Escrow Agreement of its resignation as Escrow Agent. A replacement escrow agent has since been appointed. The Firm received no compensation for its services as Escrow Agent. PSZJ believes that its service as Escrow Agent has not and will not affect its representation of the Committee in these proceedings.
- e. Prior to the Firm being selected as counsel to the Committee, beginning in December of 2009, the Firm represented five movie studios and a film distribution company (collectively, the "Studios") involved in these chapter 11 cases. The five studios, Paramount Home Entertainment, Sony Pictures Home Entertainment Inc., Twentieth Century Fox Home Entertainment LLC, Warner Home Video, Universal Studios Home Entertainment, are members of the Committee. The film distribution company, VPD, is an ex officio member. On January 29, 2010, pursuant to a letter agreement, PSZJ received a retainer from the Studios in the amount of \$75,000. The Firm rendered de minimis services thereafter, but rather than charging for these services and applying a portion of the retainer, the Firm is returning the entire retainer to the Debtors and will write off the associated time charges and disbursements. PSZJ believes that its prior representation of the Studios has not and will not affect its representation of the Committee in these proceedings, and as set forth in the Application, the Committee will rely on conflicts counsel should any studio issues arise.
- f. Twentieth Century Fox Home Entertainment is listed a unsecured creditor of the Debtors. The Firm currently represents or has represented

Twentieth Century Fox Home Entertainment and its affiliates in matters unrelated to the Debtors and these chapter 11 cases. In the 12 months prior to the Petition Date, Twentieth Century Fox Home Entertainment accounted for less than one percent (1%) of PSZJ's total billings. PSZJ believes that its representation of Twentieth Century Fox Home Entertainment has not and will not affect its representation of the Committee in these proceedings.

- g. Lehman Commercial Paper, Inc. is listed a secured lender of the Debtors. In a matter unrelated to the Debtors' chapter 11 cases, PSZJ represents Lehman Commercial Paper, Inc. and its affiliates with respect to the matters arising in the SunCal chapter 11 cases which are pending in the Bankruptcy Court for the Central District of California under jointly administered Case No. 08-17206 (EAS). In the 12 months prior to the Petition Date, Lehman Commercial Paper, Inc. and its affiliates accounted for less than one percent (1%) of PSZJ's total billings. PSZJ will not represent Lehman Commercial Paper, Inc. in these chapter 11 cases, and believes that its representation of Lehman Commercial Paper, Inc. has not and will not affect its representation of the Committee in these proceedings.
- h. Electronic Arts is listed an unsecured creditor of the Debtors. The Firm currently represents or has represented Electronic Arts in a matter unrelated to the Debtors and these chapter 11 cases. In the 12 months prior to the Petition Date, Electronic Arts accounted for less than one percent (1%) of PSZJ's total billings. PSZJ will not represent Electronic Arts in these chapter 11 cases, and believes that its representation of Electronic Arts has not and will not affect its representation of the Committee in these proceedings.
- i. Continental Casualty is listed as a major insurer of the Debtors. In a matter unrelated to the Debtors' chapter 11 cases, PSZJ represented Continental Casualty as a plaintiff in an action against PricewaterhouseCoopers LLP. In the 12 months prior to the Petition Date, Continental Casualty accounted for less than one percent (1%) of PSZJ's total billings. PSZJ will not represent Continental Casualty in these chapter 11 cases, and believes that its representation of Continental Casualty has not and will not affect its representation of the Committee in these proceedings.
- j. Vistar Corporation is listed as an unsecured creditor of the Debtors. The Firm currently represents or has represented Vistar Corporation and its affiliates in several matters unrelated to the Debtors and these chapter 11 cases. In the 12 months prior to the Petition Date, Vistar Corporation and its affiliates accounted for less than one percent (1%) of PSZJ's total billings. PSZJ will not represent Vistar Corporation and its affiliates in these chapter 11 cases, and believes that its representation of Vistar Corporation has not and will not affect its representation of the Committee in these proceedings.

6. As disclosed above, PSZJ has significant institutional knowledge of the Debtors' business and operations. I served as lead counsel for the Committee in Movie Gallery I and will do so in this case. This experience makes PSZJ uniquely qualified to represent the Committee in an effective and efficient manner. PSZJ has been able to start functioning as Committee counsel without our professionals spending significant time and resources developing an understanding of the inner-workings of the Debtors' operations. This benefits the creditors and the estate not only by reducing fees but, more importantly, by bringing professionals to the table who have the ability to provide immediate and constructive input on the best way to rehabilitate the Debtors' ailing business. Consequently, I assert that the Firm's extensive history with the Debtors does not make the firm "materially adverse" to the Debtors.

7. PSZJ represented, represents, and in the future will likely represent many committees in matters unrelated to the Debtors and these cases, whose members may be creditors and/or committee members in these cases. The Firm, however, is not representing any of those entities in these chapter 11 cases and will not represent any members of these committees in any claims that they may have collectively or individually against the Debtors.

8. PSZJ and certain of its partners, of counsel and associates represented, represents, and in the future will likely represent creditors of the Debtors in connection with matters unrelated to the Debtors and these cases. At this time, the Firm is not aware of any such representations except as noted herein. If the Firm identifies any further such representations, the Firm shall make further disclosures as may be appropriate at that time.

9. Further, as part of its practice, PSZJ appears in numerous cases, proceedings and transactions that involve many different professionals, including attorneys, accountants and

financial consultants, who may represent claimants and parties-in-interest in the Debtors' chapter 11 cases. The Firm has represented, represents, and in the future will likely represent debtors and creditors committees in cases unrelated to the Debtors and these chapter 11 cases wherein one or more of the aforementioned firms serve or will serve professionals.

10. Subject to Court approval, the Committee will seek to retain various professionals during the pendency of these cases, including Hunton & Williams LLP as local counsel, and FTI Consulting, Inc. as financial advisor.

11. The Firm has represented, represents, and in the future will likely represent debtors and creditors committees in cases unrelated to the Debtors and these chapter 11 cases wherein one or more of the aforementioned firms have served as professionals.

12. PSZJ is a "disinterested person" as that term is defined in section 101(14) of the Bankruptcy Code in that the Firm, its partners, of counsel and associates:

- a. are not creditors, equity security holders or insiders of the Debtors;
- b. are not and were not within 2 years before the date of the filing of the Debtors' chapter 11 petitions, a director, officer, or employee of the Debtors;
- c. are not and were not, within three (3) years before the date of the filing of the Debtors' chapter 11 petitions, an investment banker for a security of the Debtors, or an attorney for such investment banker in connection with the offer, sale or issuance of any security of the Debtors;
- d. does not have an interest materially adverse to the interest of the Debtors' estates or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the Debtors, or for any other reason, except as disclosed herein.

13. Except as disclosed above, the Firm has received no retainer from the Debtors or Committee or any payment, nor any promise of payment, during the one-year period prior to the filing of the Debtors' petitions. No compensation has been paid or promised to be paid from a

source other than the Debtors' estates in these chapter 11 cases. No promises have been received by the Firm nor by any partners, of counsel or associate thereof as to compensation in connection with these chapter 11 cases other than in accordance with the provisions of the Bankruptcy Code. The Firm has no agreement with any other entity to share with such entity any compensation received by the Firm in connection with these chapter 11 cases, except among the partners, of counsel and associates of the Firm. Neither the Committee nor its members (or any of their representatives) are or will be liable for fees or costs incurred by the Firm in its representation of the Committee.

14. The Firm intends to apply for compensation for professional services rendered in connection with these chapter 11 cases subject to approval of this Court and compliance with applicable provisions of the Bankruptcy Code, on an hourly basis, plus reimbursement of actual, necessary expenses and other charges incurred by the Firm. The principal attorneys and paralegals presently designated to represent the Committee and their current standard hourly rates are:

- | | | |
|----|---------------------|-------------------|
| a. | Robert J. Feinstein | \$855.00 per hour |
| b. | Robert B. Orgel | \$825.00 per hour |
| c. | John A. Morris | \$750.00 per hour |
| d. | Beth E. Levine | \$550.00 per hour |
| e. | Gabrielle A. Rohwer | \$550.00 per hour |
| f. | David A. Abadir | \$425.00 per hour |
| g. | Thomas J. Brown | \$205.00 per hour |

15. The hourly rates set forth above are the Firm's standard hourly rates for work of this nature, which are subject to adjustment from time to time. These rates are set at a level designed to fairly compensate the Firm for the work of its attorneys and paralegals and to cover

fixed and routine overhead expenses. These rates are subject to periodic adjustments to reflect economic and other conditions. Other attorneys and paralegals may from time to time serve the Committee in connection with the matters described herein, and the Firm will charge its standard hourly rates for their services. Pursuant to the request of the Committee, the Firm will not bill its time charges for non-working travel time. It is the Firm's policy to charge its clients in all areas of practice for all other expenses incurred in connection with the client's case. The expenses charged to clients include, among other things, telephone and telecopier toll and other charges, mail and express mail charges, special or hand delivery charges, document retrieval, photocopying charges, charges for mailing supplies (including, without limitation, envelopes and labels) provided by the Firm to outside copying services for use in mass mailings, travel expenses, expenses for "working meals," computerized research, transcription costs, as well as non-ordinary overhead expenses such as secretarial and other overtime. The Firm will charge the Committee for these expenses in a manner and at rates consistent with charges made generally to the Firm's other clients. The Firm believes that it is fairer to charge these expenses to the clients incurring them than to increase the hourly rates and spread the expenses among all clients.

16. PSZJ intends to work closely with Hunton & Williams LLP, and FTI Consulting, Inc. and other professionals retained by the Committee, to ensure that there is no unnecessary duplication of services performed or charged to the Debtors' estates.

Dated: March 1, 2010

/s/ Robert J. Feinstein

Robert J. Feinstein

Schedule 1

Debtors and Non-Debtor Affiliates

HEC Real Estate, LLC
Hollywood Entertainment Corporation
MG Real Estate, LLC
Movie Gallery Canada, Inc.
Movie Gallery US LLC
Movie Gallery, Inc.

Lenders

Ansonville LP
Arrow Distressed Securities
Aspen Advisors, LLC
Bank of America, N.A.
Canpartners Investments IV, LLC
Carlyle Strategic Partners II
Carlyle Strategic Partners LP
Caspian Capital Partners, LP
Cox Equity Partners, Ltd
Credit Suisse Loan Funding LLC
CSP II Coinvestment LP
Cypress Management L.P.
Deephaven Distressed OPP Trading
DQ Limited
EnterAspen Limited
Epic Distressed Debt
Gabriel Capital LP
Goldman Sachs Credit Partners
Goldman Sachs Lending Partners
GPC 76, LLC
Hawkeye Capital Master
J.P. Morgan Chase
Kensington International Ltd.
Korenvaes
LA Capital Management Ltd.
Lehman Commercial Paper Inc.
Lenado DP LP - Series A, of Lenado DP, L.P.
Lenado Partners-Series A of Lenado Capital Partners,
L.P.
Libertyview Loan Fund, LLC
Marblegate Special OPP Master Fund
Mariner LDC
Merrill Lynch Credit Products
Milfam II, LP
Millennium Partners LP
Normandy Hill Master Fund L.P.
Par Investment Partners LP
Private Advisors Coinvestment Fund, LP
Resolution Master Fund
Rovida Holdings Limited
RR Investments Company Ltd.
Schultze Master Fund Ltd.

Sierra Fund V, LLC
Sopris Capital Advisors, LLC
Southpaw Credit Opportunity Master Fund LP
Springfield Associates LLC
SPV DOS, LLC
SPV UNO, LLC
TCW Shared Opportunity FD V LP
TCW Shared Opportunity Fund 4B
The Richmond Fund LP
UBS AG Stamford Branch
Vail Credit Opportunities Fund
Valinor Capital Partners LP
Valinor Capital Partners Offshore MF
Venor Capital
Wilshire Inst. Master Fund
Woody Creek Capital Partners

Major Movie Studios

Lions Gate Entertainment
Magnolia Home Entertainment
Paramount Home Video
Sony Pictures Home Entertainment
Universal Studios Home Entertainment
VPD, Inc.
Warner Home Video
Twentieth Century Fox Home Entertainment

Major Game Vendors

Activision Inc.
Atari Inc.
Capcom Entertainment Inc.
Electronic Arts
Microsoft Corporation
Nintendo of America Inc.
Sony Computer Entertainment of America
Take 2 (Joag Publishing)
THQ Incorporated
Ubi Soft Inc.

Major Insurance Carriers

Beazley Special Ins.
Continental Casualty
Federal Insurance Co.
Liberty Insurance Co.
Liberty Mutual Fire Insurance Co.
Liberty Mutual Insurance Co.
National Surety Corp.
North River Insurance Co.
XL Specialty Insurance Co.
Zurich American

Administrative and Collateral Agents

Bank of New York
Deutsche Bank
Wachovia Bank
Wells Fargo Bank
Wilmington Trust

Major Lawsuit Counterparties

Bayaa, Naim
Benson, Gary
Cousins, Keith
Dade, William
Davila, Rudy
Greenshields, Mark
Guerriero, Mario
Hill, Kathleen
Johnson, Thomas
Malugen, Joe
Miranda, Rafael
Pettis, Brandy
Rahmes, John
Todd, Page

Major Landlords

Camille Brook LLC
Centro Properties Group
Developers Diversified
Fred Meyer Stores Inc.
H.E. Butt Store Property Company
Inland Southwest Management LLC
Inland US Management LLC
Kimco
New Plan
Phillips Edison
Realty Income Comparison
Regency Centers, LP
SHAG of Mississippi, Inc.
Southern Development of MS Inc.
Weingarten Realty Advisors

Former and Current Directors and Officers

Baier, Lucinda M.
Ceglia, Theodore F.
Corey, Michael R.
Dunlap, Roger A.
Fiorella, Robert
Gabriel, Clarence J.
Gordon, Jeffry B.
Griffin, Brad A.
Guest, Caroline R.

Guy Marsala, M.
Hay, Gary N.
Herring, Curry M.
Holliday, Mark
Innes, Theodore L.
Johnson Jr., Thomas D.
Johnson, Brent A.
Jump, John
Kitchens, Phillip B.
Klemp, Jeffrey C.
Levy, Seth
Lockwood, James
Loyd, Mark S.
Maicki, Richard J.
Malugen, Joe T.
McGrath, Thomas
Miller, Craig J.
Mitchell, Nicholas H.
Mityas, Sherif J.
Morgan, Steve
Motzenbecker, Kenneth C.
Parrish, H. Harrison
Patterson, Samuel A.
Riggsby, Benjamin C.
Robinson, Michael D.
Sand, Wesley D.
Scheiwe, Steven
Schneider, Pamela R.
Shorten, Richard
Snow, William
Stubbs, Jeffrey S.
Subin, Neil
Suominen, Robert A.
Todd, S. Page
Torng, Clifford

Professionals

Alvarez & Marsal Inc.
Burr Pilger & Mayer LLP
Corliss Moore & Associates
DJM Realty
Kurzman Carson Consultants
Kutak Rock LLP
Gordon Brothers Group
Moelis & Company
Sonnenschein Nath & Rosenthal LLP
Brown Rudnick LLP

Major Creditors

Activision Inc.
AGI Polymatrix
Aspen Advisors, LLC
Electronic Arts
EnterAspen Limited
Facilitysource Inc.
Federal Express
Image Entertainment Inc.
Inland Commercial Property Management Inc.
Innerworkings Inc.
Lenado DP, Series A of Lenado DP, L.P.
Lenado Partners, Series A of Lenado Capital Partners, L.P.
Microsoft Corporation
Midway Home Entertainment Inc.
Millennium Media Services
Nintendo of America Inc.
Ostler Group
Paramount Home Video
Realty Income Corporation
Sony Computer Entertainment of America
Sony Pictures Home Entertainment
Sopris Capital Advisors, LLC
SPV Uno, LLC
Starz Home Entertainment, Inc.
The Richmond Fund, L.P.
THQ Incorporated
Twentieth Century Fox Home Entertainment
Universal Studios Home Entertainment
Vail Credit Opportunities Fund, LLC
Valassis Direct Mail Inc.
VPD, Inc.
Warner Home Video

Shareholders and Warrant Holders

Anguiano, Leo
Aspen Advisors, LLC
Baier, Lucinda
Ceglia, Ted
Cox Equity Partners, Ltd.
DQ Ltd.
Dulles, Ted
Dunlap, Roger
EnterAspen Limited
Fiorella, Robert
Guest, Caroline
Holiday, Mark
Hopp, Scott
Kirk, Katherine
Klemp, Jeff
Lenado DP, LP
Lenado Capital Partners LP

MacNaughton, Robert
Maicki, Rick
McGrath, Thomas
Mityas, Sherif
Pandhi, Vijay M.
Private Advisors Coinvestment Fund, LP
Private Advisors Special Situations Fund, LLC
Private Advisors Special Situations Fund, LP
Private Advisors, LLC
Riggsby, Ben
Rovida Holdings Limited
RR Investment Company Ltd
Sand, Wesley
Scheiwe, Steven
Schneider, Pamela
Shorten, Richard
Sierra Fund V, LLC
Sopris Capital Advisors, LLC
SPV DOS LLC
Subin, Neil
The Richmond Fund, L.P.
Thompson, Joe
Vail Credit Opportunities Fund, LLC

Banks with Significant Relationships

Bank of America Corporation
Wachovia Bank, N.A.

Significant Vendors

Active International
Advantage IQ
Agi Polymatrix
Burr Pilger & Mayer
Emdeon Business Services Inc.
Facilitysource Inc.
Federal Express
Fred Meyer Stores Inc.
Incomm
Innerworkings Inc.
Kelly Services Inc.
Liberty Mutual Insurance Group
Ostler Group
Pepsi
Realty Income Corporation
Starz Home Entertainment Inc.
Trillium Industries Inc.
Valassis Direct Mail Inc.
Vistar Corporation
WYF Properties, LLC

Significant Utility Providers

Alabama Power
APS/ Arizona Public Service
Central Maine Power
Constellation NewEnergy
Consumers Energy
CPS Energy
Dominion Virginia/NC Power
DTE Energy
Duke Energy
EI Paso Electric Company
Entergy Arkansas, Inc.
Florida Power & Light Company
Georgia Power
MidAmerican Energy Company
National Grid - New York
NIPSCO - Northern Indiana Public Serv. Co.
NV Energy
Pacific Gas & Electric
Pacific Power - Rocky Mountain Power
Portland General Electric
Progress Energy Carolinas, Inc.
Puget Sound Energy
Reliant Energy Solutions
Sacramento Municipal Utility District
Southern California Edison
SRP - Salt River Project
WE Energies Wisconsin Electric/Gas
XCEL Energy - Northern States Power Co.

Significant Competitors

Blockbuster Inc.
Comcast Corporation
Netflix, Inc.
Redbox Automated Retail, LLC

Letter of Credit Beneficiaries

Activision
Chubb Insurance
Constellation Energy
EA Games
Federal Express
Liberty Mutual
Moneris
ProLogis
Sony Computer Entertainment of America
THQ
Travelers Insurance

Significant Tenants

4G Wireless
Adobo Enterprises, LLC
Ashley Lynn's Tanning Salon
Aspen Dental
AT&T
Century 21 (EZFICO)/Realty World
Cingular Wireless
Eagle Eye Pizza
Houston Pizza Venture
Houston Pizza
Iconz Cosmetics Myka
Jersey Mikes
Magic Dragon Chinese Eatery
Papa Johns
Pizza Venture
Qdoba Mexican Grill
Rundberg (Little Caesar)
SCIL Texas, Inc (Speedy Cash)
Subway
Telecorp

United States Trustee for the Eastern District of Virginia (and Key Staff Members)

Bove, Frank J. (Trial Attorney)
Byrnes, John R. (Assistant U.S. Trustee)
Conlon, Debera F. (Assistant U.S. Trustee)
Davis, Martha L. (Trial Attorney)
Early, Dennis J. (Assistant U.S. Trustee)
Frankel, Jack I. (Trial Attorney)
Franklin, Shannon D. (Trial Attorney)
Garber, Margaret K. (Trial Attorney)
Guzinski, Joseph A. (Trial Attorney)
McDow, Jr., W. Clarkson (U.S. Trustee)
Pecoraro, Shannon F. (Trial Attorney)
Van Arsdale, Robert (Assistant U.S. Trustee)
Weschler, Cecelia A. (Trial Attorney)
Whitehurst, III, Kenneth N. (Trial Attorney)

Judges for the Bankruptcy Court of the Eastern District of Virginia

Hon. Kevin R. Huennekens (Richmond Division)
Hon. Robert G. Mayer (Alexandria Division)
Hon. Stephen S. Mitchell (Alexandria Division)
Hon. Frank J. Santoro (Norfolk and Newport News Divisions)
Hon. Stephen C. St. John (Norfolk and Newport News Divisions)
Hon. Douglas O. Tice, Chief Judge (Richmond Division)